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OUTDOOR RECREATION

A New Potential for Cooperation



FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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OUTDOOR RECREATION

A New Potential for Cooperation

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Recreation development on farms is a subject of growing interest to rural and urban people alike. It offers an opportunity for farmers to increase their income. It provides a service demanded by

an increasing number of people seeking outdoor activity.

And, with prospects of a growing population, longer vacations, greater per capita income, and earlier retirements, the need for rural outdoor recreation development should reach new records in the years ahead.

As individuals, many landowners may experience difficulties in providing the resources and services needed for an efficient operation. Smallness of

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tract size, insufficient information, lack of technical skills, and inadequate financing are likely to be major deterrents.

Farmers and other rural people interested in developing recreation enterprises should therefore seriously consider the advantages of establishing and operating these businesses cooperatively. This is particularly true for recreational activities cutting across property lines, requiring large capital investments, demanding specialized managerial know-how, and involving great risks or large-scale promotional programs.

This report discusses some of the merits of joint action, and outlines assistance available from the U.S. Department of Agriculture in developing outdoor recreation enterprises. Such information should help those contemplating outdoor recreation activities avoid some of the difficulties experienced by existing businesses developed on an individual basis.

MERITS OF THE COOPERATIVE APPROACH

Compared to other associations of agricultural producers, rural outdoor recreation cooperatives are both few in number and comparatively new ventures in the United States. Some are loosely knit arrangements involving cooperation only in the broadest sense of the word. Others are incorporated business organizations providing for limited liability of members and having a legal existence distinct from their members.

Regardless of the degree of cooperation involved and dissimilarities in their organizational structure, the primary objective of these group efforts is to help farmers and other rural people solve problems, provide services, and gain efficiencies that could not be attained through individual action.

These include planning recreation development on an area-wide basis, obtaining sufficient financing, effectively advertising services, minimizing

personal risk, and adequately satisfying the diverse recreational needs of participants.

In addition, farmers obtain some services for themselves as a group that each might not be able to afford individually, including legal assistance and hiring capable management and other personnel with the required technical skills.

Through these cooperative efforts, patronage dividends in the form of reduced costs or improved incomes can flow into rural communities.

Since the experience of most associations is limited and the organizational structure and operating procedures of some are being modified, a detailed analysis of their operations would be premature at this time. It is appropriate, however, to point out some of the specific advantages inherent in developing these organizations on a cooperative basis.

These will be discussed under: (1) Planning the project, (2) developing the enterprise, (3) promoting

the service, (4) protecting the business, and (5) benefiting the community.

Planning the Project

Coordination of effort in planning a recreation project helps to assure that facilities and services provided complement or supplement, rather than compete with, each other. This is essential if the recreational resources of the community or individual farms are to be used efficiently and effectively. It also increases the potential for developing a recreation complex that will meet the needs of a family with diverse interests, thereby overcoming a major handicap of one-feature projects.

Pooling ideas and group discussion in the planning stage also make farmers more aware of the many factors which might affect a proposed recreation development.

An adequate appraisal of such factors as available resources, competition, zoning and health



regulations, building codes, and prospective costs and returns, for example, is essential if a recreation enterprise is to be successful. Appraising these factors often requires technical skills and abilities beyond the talents of one individual.

Developing the Enterprise

Once the plans for a recreation enterprise have been drawn up and mutually agreed upon, steps must be taken to put them into operation. Supplies and equipment may have to be purchased, management and key employees hired, sound operating policies established, adequate financing obtained, and other activities associated with any business endeavor developed. All of these functions lend themselves to the cooperative way of doing business.

Purchasing needed supplies as a group rather

than as individuals increases the possibility of obtaining quantity discounts.

Pooled purchasing power increases farmers' ability to bid competitively for required technical skills and advisory services while at the same time retaining control of the enterprise.

Developing a recreation business on a group basis increases the possibility of obtaining financial assistance from both public and private sources. A corporate form of organization with its separate legal status especially provides a rather stable basis upon which to obtain loans.

Working with a group, rather than with individuals, helps minimize program costs of various Federal, State, and private agencies which may be requested to render assistance.

Promoting the Service

Promoting the recreation business can be an

extremely vital part of a recreation program. It can also be an expensive undertaking where a venture is just getting started, a large proportion of the prospective customers live outside the local area, and the services of a public relations or advertising firm must be obtained.

Advertising and publicizing rural recreation on a group basis offers several advantages to the individual.

First, few individual farmers have sufficient resources to undertake an extensive promotional program. When promotional activities are undertaken by an individual, they are generally confined to a local area and are not handled in a systematic manner. Cooperative promotion, by spreading the cost of preparing brochures and buying advertising space over a large number of contributors, reduces the cash outlay of each. It also helps to assure that a larger number of potential users will be made aware of the recreation facilities.

Second, cooperative advertising increases the possibility that the recreation facility of each sponsoring participant will be used to the greatest possible extent. This is particularly true where the facilities of each owner are of the same type. With vacation farms, for example, any request for an accommodation that is filled up can be referred to another member of the association.

Third, advertising on a group basis might encourage other local business men to share in promotional costs, since they may also benefit from a large number of vacationers in the area.

Protecting the Business

Once established, rural recreation enterprises must be adequately protected. Expensive litigation resulting from inadequate protection can bankrupt a business. Competent legal advice and the



right kinds of insurance at the outset might save an enterprise from large expenses, and perhaps even failure, later on.

While an operator cannot protect himself against all conceivable risks, he can do several things to lessen or limit his liability. He can carry liability insurance, incorporate, or both.

Liability insurance helps an operator satisfy claims for injury sustained by users of the facility. This type protection thus permits an operator to shift to a professional risk bearer some of the risk inherent in sharing property rights with the general public.

Incorporating the business as a cooperative corporation enables members to limit their liability to an amount invested in the organization. This is a decided advantage over the individual proprietorship and partnership with their unlimited liability feature (except certain legal exemptions).

Incorporation is particularly desirable where the

cost of insurance is high. Large fees for liability insurance reflect high risks and potentially great personal liability. In case of damages, an incorporated association may be sued as an organization. If unincorporated, the individual members may be sued.

Benefiting the Community

Cooperatively owned and operated business organizations have demonstrated their ability to help rural people solve common problems. Today, farmers market farm products, purchase farm supplies, and obtain farm services through nearly 9,000 cooperatives blanketing rural America.

Outdoor recreation offers an additional opportunity for further cooperative development. It is one way in which farmers and other rural people can combine their land, facilities, and other re-

sources into a more effective operation. It also provides added assurance that rural residents will participate in the economic returns from recreation enterprises developed in their communities.

ASSISTANCE AVAILABLE FROM USDA

Technical and financial assistance are available from USDA agencies to aid in establishing income-producing outdoor recreation enterprises in rural areas.

Technical

Farmer Cooperative Service provides research, advisory service, and educational assistance in connection with the formation and operations of agriculture-related cooperatives, including rural recreation cooperatives. Also, it can provide tech-

nical advice and assistance in determining the feasibility of these organizations.

The Rural Electrification Administration (REA) provides technical and credit finding assistance to its borrowers and their consumers and others interested in starting or expanding a rural recreation enterprise. If members of electric cooperatives are unable to obtain reasonable financing from other sources, both public and private, the cooperative may apply to REA for a loan to finance the member's purchase and installation of wiring, plumbing, and electrical equipment, including machinery.

Soil Conservation Service (SCS) provides technical assistance in planning and maintaining farm conservation systems. SCS can also finance technical assistance to owners and operators of private land interested in establishing income-producing outdoor recreation enterprises.

The Forest Service, in its capacity as manager of the Nation's 186 million acres in 155 National



Forests, has acquired outdoor recreation knowledge and experience. In addition to providing technical assistance and advice, Forest Service has a number of informative and useful publications on recreation available from any of its 10 regional offices.

The Forest Service also cooperates with State Foresters through the Cooperative Forest Management Program to provide a wide range of technical assistance to private landowners in multiple use planning and management of their forest resources. Forest-based recreation is one of these.

The Economic Research Service performs research to identify rural recreation problems and solutions. It has issued several reports on various aspects of outdoor recreation.

Federal Extension Service (FES) can provide a proposed recreation cooperative with assistance in its organizational phase. In addition, FES, working mainly through the State Extension Services,

provides a variety of educational services to co-operatives for their members.

Financial

Farmers Home Administration may make loans for developing recreational complexes. Applications for loans for this purpose are made at the local county office of the Farmers Home Administration. The total indebtedness for any one community association borrower may not exceed \$4 million. The average loan is around \$100,000. The maximum term is 40 years. Interest rate may not exceed 5 percent.

The Department of Agriculture, through the Agricultural Stabilization and Conservation Service, may enter into agreements with farmers and ranchers to carry out long-range land use adjustments. These agreements provide for conservation cost-sharing

and other assistance for changes in cropping systems and land use and development of soil, forest, wildlife, and recreation resources.

The banks and associations of the cooperative Farm Credit System, supervised by the Farm Credit Administration, provide long-, intermediate- and short-term farm credit to farmers and their marketing, purchasing, and service cooperatives. Organized cooperatively, the System provides credit sources adapted specifically to the needs of farmers and their cooperatives.

Federal land banks and production credit associations may make loans to farmers to finance recreational facilities on their farms provided such facilities do not supplant the basic farming or livestock operation. Such loans may also be made to eligible borrowers for purposes of investing in a

recreational cooperative.

However, an exclusively recreational cooperative, even though owned by farmers, would not itself be eligible to borrow from a bank for cooperatives, a Federal land bank, or a production credit association.

General

The Rural Community Development Service is responsible for expediting the application of resources of the Department in assisting State, local, private, community, and farm organizations and individuals working for the improvement of rural areas. In this way, it may be able to direct those interested in developing rural cooperative recreational facilities to needed resources.

OTHER PUBLICATIONS AVAILABLE

How Farmer Cooperative Service Works. Information 26.

Financing Farmer Cooperatives. Educational Circular 5.

How To Start a Cooperative. Educational Circular 18.

Sample Legal Documents for New Cooperatives. Educational Circular 19.

Farmer Cooperatives . . . Farm Business Tools. Agricultural Information Bulletin 275. By Beryle Stanton.

Cooperatives - Today and Tomorrow. Information 52. Martin A. Abrahamsen.

Copies of these publications may be obtained upon request while a supply is available from

Farmer Cooperative Service
U.S. Department of Agriculture
Washington, D.C. 20250